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FM AMEMBASSY PANAMA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7772
INFO RUEAIIA/CIA WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHBO/AMEMBASSY BOGOTA 2239
RUEHCV/AMEMBASSY CARACAS 0992
RUEHPE/AMEMBASSY LIMA 0616
RUEHME/AMEMBASSY MEXICO 2978
RUEHQT/AMEMBASSY QUITO 0858

C O N F I D E N T I A L PANAMA 000629

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DEPT FOR WHA/CEN - SCHIFFER
ALSO FOR WHA/EPSC - URS, GUMBINER, AND YOUNG
ALSO FOR EB/TPP/BTA - LAMPRON
ALSO FOR EB/TPP/ABT/ATP - SINGER
STATE PASS USTR - SCHWAB AND CROWDER
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SUBJECT: FORMIN WEIGHS USG DEMARCHE ON VENEZUELA UNSC BID,
VENTS OVER STALLED FTA

Classified By: Ambassador William A. Eaton - Reasons 1.5(b and d)

11. (C) On April 5, Ambassador pressed First Vice President/Foreign Minister Samuel Lewis Navarro (SLN) and Minister of the Presidency Ubaldo Real on the importance of Panama's support for Guatemala's UN Security Council candidacy. Lewis Navarro revealed that Mexico's FM Derbez had called him to report that President Bush had expressed his concern about Panama's non-committal position on the issue during the Cancun meeting with President Fox and PM Harper. Lewis Navarro indicated that the GOP is weighing the price it would pay for further antagonizing Hugo Chavez. He said that, after Panama stood firmly with the U.S. in pushing for the Free Trade Area of the Americas (FTAA) for all the right reasons at last November's Summit of the Americas in Mar del Plata, the GOP has seen Chavez exact his payback by stepping up his meddling in Panama's internal affairs.

Lack of Progress on FTA

12. (C) Feeling the heat from the U.S. and others in the region on Venezuela, Lewis Navarro vented the GOP's frustration at a lack of real progress on U.S.-Panama free trade negotiations. He said this represents "one of the biggest embarrassments" for the Torrijos administration. He also felt that it has been a blow to himself and others in the GOP who had pushed for closer ties to the U.S. and who have made free trade -- and this FTA -- a cornerstone of the government's economic agenda and the capstone to the November visit by President Bush. Lewis Navarro said he has dropped the FTA from the list of topics he usually raises in Torrijos' cabinet meetings, as it opens him up to beatings from other ministers. The GOP cannot understand why the USG appears dismissive of President Torrijos' top priority while, at the same time, expecting the GOP to accommodate President Bush's priorities, such as the FTAA and the choice of Guatemala over Venezuela for UNSC membership.

13. (C) Lewis Navarro characterized USTR's April 4

communication with Trade Minister Ferrer as a "disaster," claiming that the U.S. is rejecting some of the GOP's proposed language on agricultural issues that the GOP took directly from language proposed last January by USTR and from U.S. FTAs with Colombia and Panama. (Chief FTA negotiator Estif Aparicio later told Econ Chief that the GOP was "dismayed" at the USG's rejection of language they maintain USTR had previously proposed on "WTO rights" and had accepted in FTAs with Colombia and Panama regarding compliance with OIE norms on BSE, Avian Influenza, and Newcastle Disease. He said these were highly sensitive, "bottom line" issues for the GOP and asked that Washington propose language on these issues that it might find acceptable, as the GOP is now at a loss as to what else it can propose.)

14. (C) Ambassador told Lewis Navarro and Real that the USG is well aware of the GOP's primary concerns on the FTA, but that the GOP's response to the U.S. proposal on sanitary and phytosanitary (SPS) issues raised doubts about whether the GOP is really ready to close the deal. He stressed that the USG has not given up on this FTA - despite enormous demands Washington faces with a multitude of FTAs in the works. He emphasized continuing high-level USG commitment to finding a way forward to conclude an agreement that both sides can accept.

Comment

15. (C) Lewis Navarro's comments appeared heartfelt and seemed to reflect his genuine frustration and worry that he and other Torrijos administration reformers will lose out to old-guard PRD players within the GOP if they cannot soon deliver on the FTA. He was quick to add that, despite the pressures he is coping with, he was not trying to link the

FTA with the UNSC vote but he was simply sharing the difficulties he was having in thinking about one issue without being reminded of the other.

EATON